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NEWS ANALYSIS NO. 1-1318
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THE U.S. ECONOMY AT MID-YEAR

ANNCR:

NEW STATISTICS INDICATE THE U.S. ECONOMY CURRENTLY IS IN A PHASE OF SLOWER GROWTH. VOA BUSINESS EDITOR FRANK FEINBERG SURVEYS THE PRESENT RATE OF GROWTH, AND THE FUTURE OUTLOOK:

VOICE:

U.S. COMMERCE DEPARTMENT REPORTS JUST ISSUED (8-18) ON THE NATION'S ECONOMY ARE SIMILAR TO PUTTING TOGETHER A GIGANTIC JIGSAW PUZZLE. THE REPORTS ARE ASSEMBLED PIECE BY PIECE, AND COMBINED, THEY FORM A PATTERN OF HOW THE NATIONAL ECONOMY IS PERFORMING. THE LATEST FIGURES COVER THE GROSS NATIONAL PRODUCT, WHICH IS THE SUM TOTAL OF ALL GOODS AND SERVICES. ALSO, CORPORATE PROFITS. . . AND PERSONAL INCOME OF INDIVIDUALS.

COMMERCE DEPARTMENT ECONOMISTS NOW CONFIRM EARLIER PRELIMINARY ESTIMATES OF A SLOWER GROWTH RATE THAN IN THE EARLIER RECOVERY PERIOD. THE GROSS NATIONAL PRODUCT--AFTER ACCOUNTING FOR INFLATION--INCREASED FOUR AND THREE-TENTHS PERCENT (4.3) IN THE APRIL-JUNE PERIOD. THIS GROWTH RATE IS ABOUT ONE-HALF THE RATE IN THE YEAR'S FIRST QUARTER, BUT IS NO BIG SURPRISE. MOST ECONOMIC FORECASTS HAVE PROJECTED SLOWER GROWTH, AFTER THE TORRID PACE EARLIER THIS YEAR.

THE SLOWDOWN ALSO IS REFLECTED IN CORPORATE PROFITS, WHICH INCREASED TWO POINT NINE PERCENT IN THE SECOND QUARTER OVER THE YEAR'S FIRST THREE MONTHS. THE FIRST

QUARTER RISE IN CORPORATE PROFITS ARE USED FOR TWO PRIMARY PURPOSES--TO PAY DIVIDENDS TO STOCKHOLDERS, AND TO IMPROVE AND EXPAND PRODUCTS OUTPUT, WHICH GENERALLY RESULTS IN ADDITIONAL JOBS.

ANOTHER KEY ECONOMIC INDICATOR, PERSONAL INCOME, GAINED SUBSTANTIALLY IN JULY, POSTING ITS LARGEST ONE-MONTH INCREASE IN NEARLY ONE-YEAR. THIS IS DUE TO NEW RECORD NATIONAL EMPLOYMENT -- NEARLY EIGHTY-MILLION PERSONS -- AND A COST-OF-LIVING INCREASE FOR SOCIAL SECURITY RECIPIENTS. THE JULY GAIN BROUGHT PERSONAL INCOME--THE AGGREGATE INCOME RECEIVED BY ALL AMERICANS FROM ALL SOURCES--TO AN ANNUAL RATE OF ONE-POINT THIRTY-EIGHT THOUSAND-THOUSAND MILLION DOLLARS (\$1.38 TRILLION).

WITH THESE PARTS OF THE ECONOMIC PICTURE IN PLACE, HOW DOES THE OVERALL VIEW LOOK? THE BIGGEST QUESTION MARK OF LATE HAS BEEN WHETHER AMERICAN CONSUMERS WOULD CONTINUE TO SPEND AT A RATE SUFFICIENT TO KEEP INDUSTRY BUSY PRODUCING THEIR WANTS. RETAIL SALES SLOWED IN MAY FROM EARLIER THIS YEAR, PERKED UP IN JUNE, AND THEN EASED A BIT IN THE FIRST PART OF JULY. THE BIG INCREASE IN PERSONAL INCOME JUST RECORDED SHOULD BE GOOD FOR CONTINUED BUYING. . . AND FOR BUSINESS. ECONOMISTS, BANKERS AND OTHERS WHO WATCH THESE DEVELOPMENTS SEE A TREMENDOUS WORK FORCE, EARNING WAGES AND SALARIES, WITH MONEY IN THEIR POCKETS TO SPEND. THIS, THEY REASON, HELPS ENSURE A HEALTHY ECONOMY, CONTINUING AT A MODERATE GROWTH RATE.

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JS/RTD